

Backgrounder

Press conference on healthcare reform

Thursday, September 17, 2009

Washington, D.C.

(CONFIDENTIAL NOTE: We have it on good authority that the political coverage director at CBS News believes the major under-reported part of the whole healthcare debate is the Medicaid part – that if you're just shifting the burden of an unfunded mandate to the states, the only alternative is a tax increase to pay for it. The thought is to hit hard at the idea of unfunded mandates and new taxes.)

Top-line points on the Baucus proposal prepared by Senate Republican Health Policy Staff.

### **Concerns with the Baucus Proposal**

- The Baucus plan will commit the country to almost \$1 trillion in new spending at a time of unprecedented deficits and increasing public concern about the rising debt. The \$856 billion cost estimate is over 10 years, but covers only six years of implementation since it takes four years for the major provisions to go into effect. That means the 10 year cost when fully implemented will be closer to \$2 trillion.
- The \$856 billion plan would be paid for with \$507 billion in cuts to government health programs and \$349 billion in new taxes. Most of the new taxes will be passed on to consumers in the form of higher costs for everything from contact lenses and hearing aids to health insurance premiums. The taxes will go into effect immediately, even though most of the major provisions won't take effect for four years.
- The United States already spends far more than any other country on health care. Instead of reforming the

system to spend this money more effectively, this bill commits us to spending even more on health care.

- Not carrying insurance could result in a steep fine, as much as \$3,800 per family or \$950 for an individual. These new taxes, which would fall largely on the young and middle class, break with President Obama's pledge not to raise taxes on anyone but the wealthy.
- The plan gives unprecedented power over reforming Medicare spending and benefits to an unelected board that would be given authority to determine payments to providers for Medicare with limited Congressional review. These payment decisions would have a direct impact on the care received by Medicare beneficiaries. Former MedPAC Vice Chairman Robert D. Reischauer said it would be a "terrible mistake" to give a board like the Medicare Payment Advisory Commission broader powers to make changes in the Medicare system.
- There is only a one-year fix for the payment system for physicians (SGR), so Congress will be forced to come back looking for more offsets next year.
- Cuts to the Medicare Advantage plan will break with President Obama's promise that you can keep what you have. The cuts will force millions of seniors off of their current plan or reduce benefits in an overwhelmingly popular program.
- The bill will put an unsustainable burden on states through an unprecedented expansion of Medicaid—a government program that is consumed by waste and fraud. In many states, less than 50 percent of doctors accept new Medicaid patients, so the plan expands health coverage but not necessarily access to care.

- After the President of the United States said that he would support medical liability reform, the only provision in the Baucus plan is a Sense of the Senate. The provision “would express the Sense of the Senate that health care reform presents an opportunity to address issues related to medical malpractice and medical liability insurance.” However, that will do nothing to lower health care costs or protect doctors from frivolous lawsuits.

## Medicare, Medicaid

The Baucus proposal will result in increased costs to states – It is probably more than the House bill, but less than what was expected. (State is working to get specific numbers.)

Senator Enzi put out a statement that says, “The proposal released today still spends too much, and it does too little to cut health care costs for those with health insurance,” and, “I also believe that health care reform should not be built on expanding the unsustainable Medicaid program, which 40 percent of doctors will not accept.”

- The Chairman’s Mark would expand Medicaid to 133% of the federal poverty level (FPL) for all non-elderly individuals – parents, children, and childless adults – beginning in 2014.
- In 2011, states would have the option to cover childless-adults otherwise ineligible for Medicaid under that program through a state plan amendment.
- Beginning in 2014, non-elderly, non-pregnant adults between 100-133% FPL would be able to choose between Medicaid and coverage through their state exchange.

- All states would receive an enhanced federal match to assist them in covering the “newly eligible” population (non-elderly, non-pregnant individuals at or below 133% FPL not previously eligible)
- The enhanced federal match would be varied and based on each state’s income eligibility policy at the date of enactment.
- The enhanced federal match for the expansion population would be capped at 95%.
- The TennCare Director believes that Tennessee would qualify for the 95% federal match in perpetuity.
- There is NOT a Medicaid provider reimbursement rate increase mandated in the bill, but states would be under a lot of pressure to increase rates to get doctors to see more patients.

<b>Name Of Tax Increase</b>	<b>Amount of Revenue Raised (Billions)</b>
<b>Financing Plan Proposals</b>	
35% Excise Tax	\$214.90
Limit on Spending Acct in Cafeteria Plans to \$2,000	\$16.50
Eliminate Deduction for Expenses Allowable to Medicare Part D Subsidy	\$4.00
Conform Definition of Medical Expenses for Flexible Spending Accounts to the Definition of Itemized Deduction for Medical Expenses	\$5.40
Increase Penalty for Nonqualified Health Savings Account Distribution to 20%	\$1.30
Additional Requirements for Section 501(c)(3) hospitals	Negligible
Corporate Information Reporting	\$17.10
	<b>Total = \$259.2</b>

<b>Industry Fees Proposals</b>	
PHARMA fee	\$17.20
Heath Insurance Providers Fee	\$40.50
Medical Device Manufacturers Fee	\$29.90
Clinical Laboratories Fee	\$5.60
	<b>Total = \$93.2</b>
<b>Other Tax Proposals</b>	
Employer W-2 Reporting of Heath Benefits	Negligible
Permit the Purchase of Long Term Care Insurance Through Flexible Spending Arrangements	(\$3.60)
	<b>Net Total = \$348.8</b>

## SENATE DEMOCRAT REACTION TO THE FINANCE MARK

MAJORITY LEADER HARRY REID (D-NV): “We Have 2 Scale Back State Medicaid Spending Rqmt.” [\(Sen. Harry Reid’s Twitter Account, 9/16/09\)](#)

SEN. JOHN ROCKEFELLER (D-WV): “The Way It Is Now, There’s No Way I Can Vote For The Senate Package.” “One of the Democrats, Senator John D. Rockefeller IV of West Virginia, said he could not vote for the bill in its current form, in part because it did not include a new government insurance plan to compete with private insurers. ‘The way it is now, there’s no way I can vote for the Senate package,’ Mr. Rockefeller said.” [\(“Senate Health Bill Draws Fire On Both Sides,” The New York Times, 9/16/09\)](#)

SEN. BILL NELSON (D-FL): “I Think It Would Be Intolerable To Ask The Senior Citizens On Medicare Who

Have [Medicare Advantage] To Give Up Substantial Health Benefits That They're Enjoying Under Medicare. For hundreds of thousands of seniors who didn't conceive of Medicare Advantage but who have come to rely on it, this senator is going to offer an amendment that will shield them from those benefit cuts. On existing senior citizens on Medicare. I don't think that we can punish senior citizens who signed up." (Sen. Nelson, Floor Remarks, 9/16/09)

SEN. RON WYDEN (D-OR): "That's A Real Hit On Middle-Class Families." "Sen. Ron Wyden (D., Ore.) complained the legislation would ask working Americans to commit as much as 13% of their income to buy basic insurance. 'Additional steps are going to have to be taken to make coverage more affordable,' he said. 'That's a real hit on middle-class families.'" (["Baucus Crafts Health Care Plan, But Senate Democrats Have Concerns," The Wall Street Journal, 9/15/09](#))

SEN. DEBBIE STABENOW (D-MI): "Fundamentally, We're Doing This For American Families, And We Need To Make Sure This Is Affordable." "Sen. Debbie Stabenow (D., Mich.) vowed to seek additional subsidies, or possibly a new tax break, aimed at helping working families, when the bill comes before committee. 'Fundamentally, we're doing this for American families, and we need to make sure this is affordable,' she said." (["Democrats Worry Bill Will Cost Families Too Much," The Wall Street Journal, 9/16/09](#))

SEN. JOHN KERRY (D-MA): "There May Be A Better Way To Find That Revenue." (["Baucus Crafts Health Care Plan, But Senate Democrats Have Concerns," The Wall Street Journal, 9/15/09](#))

SEN. BOB CASEY (D-PA): "Here's Some Of The Concerns. You Mentioned The Public Option, That Not Being In The Bill. I'm a strong supporter from day one of that. I think it's good for competition and choice. But also I have some concerns I think that reflect not only the people of

Pennsylvania, but I think people across the country. One is insurance reform or consumer protection is a better way to say it. What happens to the pre-existing condition problem that has affected millions of people? Just that one problem, millions of people have been adversely impacted. We have to make those kinds of practices illegal in my judgment. I'm not sure this does it." (MSNBC's "Live," 9/16/09)

SENS. KLOBUCHAR And FRANKEN (D-MN): Medical Device Tax "Will Seriously Threaten Thousands Of American Jobs And Deter Innovation." "In a letter to Sen. Max Baucus, D-Mont., chairman of the powerful Senate Finance Committee, the Minnesota Democrats claimed the proposed \$4 billion tax 'will seriously threaten thousands of American jobs and deter innovation' in the heavily research-focused device industry." (["Klobuchar, Franken Oppose Device-Firm Tax," Star Tribune, 9/16/09](#))

- "Tuesday's Letter Was Also Signed By Indiana Sens. Richard Lugar, A Republican, And Evan Bayh, A Democrat." (["Klobuchar, Franken Oppose Device-Firm Tax," Star Tribune, 9/16/09](#))
- "One Democratic Member Of The Senate Finance Committee Acknowledged Wednesday That The Provision In Chairman Max Baucus' (D-Mont.) Bill To Tax Some Insurance Plans And Medical Devices Could Become A Tax On Consumers." (["Carper: Healthcare Surtax Could Affect Plan Holders," The Hill, 9/16/09](#))